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AUTHOR Barry, Thomas J.
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ABSTRACT

This document defines contrasting assumptions about the labor force--theory X and theory Y--and shows how they apply to the pyramid organizational structure, examines the assumptions of the two theories, and finally, based on a survey and individual interviews, proposes a merger of theories X and Y to produce theory Z. Organizational structures based on theory X assume that people are willful, lazy, and require clearly defined lines of authority and control. Theory Y emphasizes human interaction and assumes that people like to work, seek responsibility, and are capable of self-control. Theory X assumptions characterize today's predominant pyramid organizational structure, a structure which is not conducive to the implementation of theory Y assumptions. Moreover, to completely change widespread and effective pyramid structures might be unwise. Nevertheless, sometimes theory X assumptions work best while in other situations theory Y assumptions are more appropriate. The document suggests, therefore, that organizations adopt a more flexible attitude midway between theories X and Y. This middle point is termed theory Z and is based on flexible, situational management, which resolves certain conflicts between theories X and Y. (PB)

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THEORY X AND THEORY Y

IN THE ORGANIZATIONAL STRUCTURE

BY

THOMAS J. BARRY

DOCTORATE THESIS

BEHAVIORAL SCIENCE

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The objectives of this thesis are as follows:

1. To define Douglas McGregor's Theory Y and Theory X.

2. To show how it applies to current organizational structures specifically the Pyramid Structure.

3. To examine the difficulties in adopting the assumptions of Theory Y or Theory X.

4. If one theory should be adopted, which one should it be.

5. To submit a proposal for the merging of Y and X to produce Theory Z.

Theory X and Theory Y

Theory Z

The late Douglas McGregor's The Human Side of Enterprise 1960, is probably the most widely read book in the field of Management. McGregor, a Psychologist, college President and Professor at The Massachusetts Institute of Technology, cut through the jargon to describe two sets of contrasting assumptions about the human work force. In consequence, Theory X (people are willful, lazy, capricious, and in need of constant watching) and Theory Y (men like work, seek responsibility, are capable of self control) have become part of management language. The latter assumption more nearly corresponds to the evidence derived from research into human capability.

In order to fully evaluate McGregor's two sets of assumptions about the human work force, it will be necessary to define them:

> The average human being has an inherent dislike of work and will avoid it if he can. Because of this human characteristic of dislike of work, most people must be coerced, controlled, directed, threatened with punishment to get them to put for adequate effort toward the achievement of organizational objectives. The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, wants security above all. 1

While to the extreme opposite, McGregor defines Theory y as:

> The expenditure of physical and mental effort in work is as natural as play or rest. External control and the theat of punishment are not the only means for bringing about effort toward organizational objectives. Man will exercise self-direction and self-control in the service of objectives to which he is committed. Commitment to objectives is a function of the rewards associated with their achievement. The average human being learns, under proper conditions, not only to accept but to seek

> responsibilities, the capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organizational problems is widely but narrowly distributed in the population. Under conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized. 1

When we sit and ponder the two basic assumptions we can fairly state that the tendency is to adopt a management style or philosophy with one of the assumptions as its base. Whether we realize it or not, the process is one of clearly establishing a management style that is based on one or both of McGregor's assumptions. Clearly this is an over simplification. However, we can easily place a manager's method of accomplishing the assigned task into a Theory X or Y based approach.

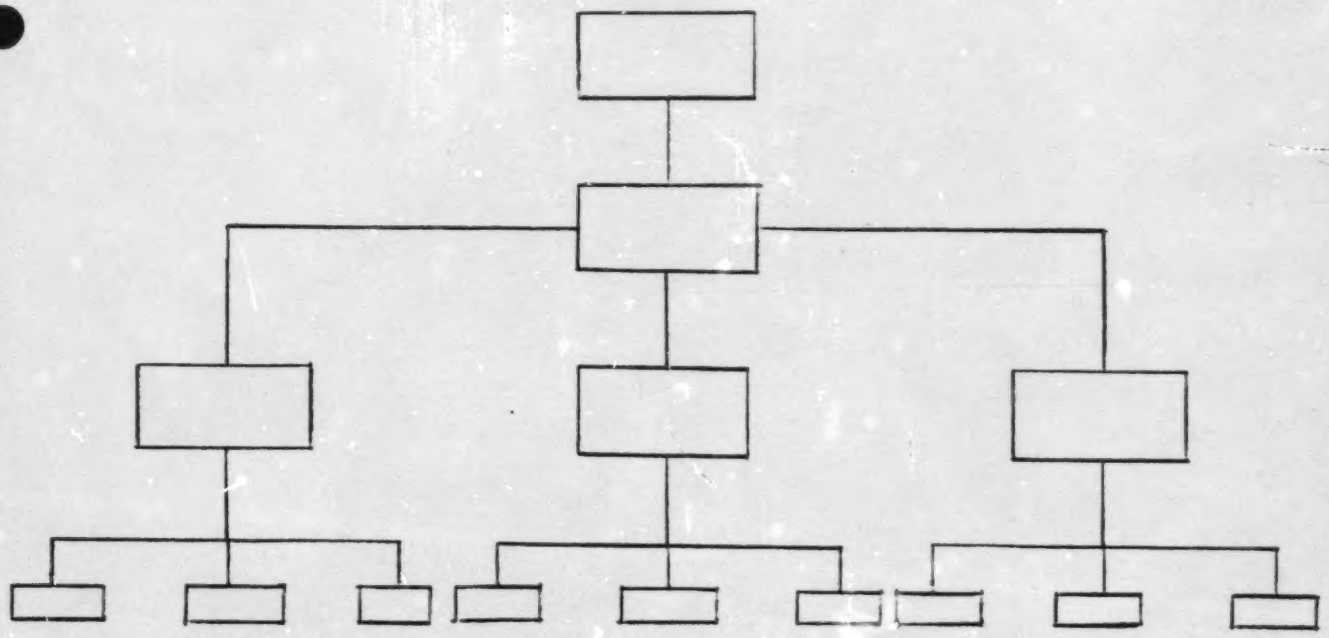
Upon further examination of the two sets of assumptions that McGregor has proposed, a valid conflusion can be drawn that Theory Y is more oriented towards the human relation's movement. However, the adoption of Theory Y as a management philosophy or style does not equate to current organizational structures.

The predominant organizational structure used by a majority of corporations today and in the past is the pyramid structure. In fact the oldest organization in the world, the Roman Catholic Church is clearly structured along these lines. The pyramid structure is based along the lines of McGregor's Theory X assumptions.

1 Douglas M. McGregors, The Human Side of Enterprise (New York; McGraw Hill 1960), p. 33, 34.

> The most usual way of looking at organizations is from a somewhat depersonalized point of view, this perspective of the organization as a total system emphasizes formal structure and predetermined lines of authority and responsibility. For examples, if we look at an industrial organization from this perspective, its most salient characteristics are the formal subdivisions, or subsystems formed on the principles of specialization and the division of work tasks. This view of the organization as a system is essentially vertical.2

The vertical system is here to stay. It has survived the test of time. This statement can be supported by examining the basic organizational structures of fortunes top 100 corporations. This examination would reveal the basic following structure:



2Edgar F. Huse, James L. Bowditch, Behavior in Organizations (Reading, Massachusetts; Addison-Wesley, 1973) p. 39.

The vertical or highly structured organization has basically taken on McGregor's Theory X assumptions with clearly defined lines of authority and control. The object of the structure is to clearly show who does what and where the final decisions lie. The overall climate in this type of structure is one of controlling resources. It can be further assumed that in this type of organization a psychological working atmosphere will be created that does clearly fit McGregor's Theory X.

There is really no need for management to examine Theory X or Theory Y as it is relevant to their organization. If it is a viable corporation and has survived our economic conditions, we can assume it must be highly structured. If it is so than many of the Theory X assumptions not only pertain to the working atmosphere but have been implemented. We can further assume that this approach is a valid one by mere fact that this is such a successful and popular approach.

If we can accept the fact that we now have an organization based on McGregor's Theory X assumptions we then logically would ask what about the Y assumptions. Probably a more logical question to ask would be is it worth the effort to attempt to implement some of that assumptions of Theory Y while the basic organizational environment is not condusive to its implementation.

Why would an organization make the decision to implement a set of assumptions that are the complete opposite of its organizational approach. It can be assumed that as with all pyramid structures today, the problem facing enterprises is a simple one: salaries are rising, yet so is job dissatisfaction, while morale and productivity are dropping. Entrepreneus have realized that McGregor's theory Y does hold some of the answers to the people problems with an organization.

> Theory X is essentially what we have been referring to as a puppeteering or authoritarian point of view, while Theory Y recognizes the interdependence of managers and employees and generally reflects the current scientific understanding of what people at work are really like.3

The complications of implementing an entire new set of assumptions within an organizational structure that has taken on a completely opposite set of assumptions envokes the implementation of change. This change could lead to the examination of the original based structured assumption and would require the adoption on a new organizational structure to replace the traditional pyramid structure to replace the traditional pyramid structure. However, to completely change an organizational structure that has been proven to be effective would be unwise. In addition, entreprenuers are not prepared to make this type of investment to reap the benefits from implementing theory Y assumptions. The pyramid entreprenuers would rather reap the benefits of theory Y while maintaining and depending a theory X organizational structure.

3Saul W. Gellerman, Motivation and Productivity (New York; American Management Association, 1963) p. 86

We have now approached the key question: how can theory Y be implemented while maintaining a theory X structure. It requires first the realization that management has most likely created a psychological climate that will not be receptive to theory Y. Second, the benefits, if any, from changing the set of assumptions that the organization is structured on will be a benefit that will not be realized immediately. It will be a long term investment with results in the future, not the present. Third, it will require a great deal of management effort and sensitivity to change the psychological climate that has been established over a long period of time. In fact the biggest impact will be on the lower levels of management. For it is this level that is required to implement a set of assumptions while directions from above comes down along clearly structure theory x assumptions.

Here is one of the greatest causes of managerial anxiety. The manager is trained to believe and use theory Y assumptions with his people but is controlled with a theory X assumption. The managerial atmosphere at the lower levels is one of constant cognative dissonance. This cognative dissonance is a direct result of don't do as I do, do as I tell you to do. The organization is clearly highly structured and controlled but lower managerial stymies are instructed to develop along theory Y assumptions. What is created by this approach is a complete atmosphere of confusion in the manager's mind that must survive in this type of situation.

The pyramid organizations that adopt some of the theory Y assumptions will be creating a new psychological climate. This new climate should create an atmosphere that will increase trust and confidence and should improve communications between management and the work force.

> If managerial assumptions begin to be exposed and tested, not only will this change provide a basis for learning what the facts are, but also the willingness to test assumptions will communicate a degree of concern for people which will reduce their feeling of being threatened or demanded. As assumptions become increasingly realistic, management practices will begin to build the kind of climate that is needed for reliable and valid communications, creative effort, flexibility, and commitment.4

It would appear from the investment that corporations are currently making in the areas of job enrichment and employee satisfaction that the pyramid organizations have made the decision to adopt some of the theory Y assumptions. However, what management must realize is that this approach is contrary to the set of assumptions that have been used to establish the organizational structure. With this fact in mind, what management has actually done is adopt an entirely new set of assumptions which can be identified as theory Z assumptions.

Theory Z assumptions are a natural outcome when a theory X pyramid organization attempts to assume all or part of theory Y. The natural outcome of this confirmation can best be described as "flexible management". Flexible in the sense that there are times when both theory X and theory Y assumptions are relevant within current organizational structures.

4Edgar H. Schein, Organizational Psychology (Englewood Cliffs, New Jersey; Prentice-Hall, Inc. 1970) p. 127

> The most successful manager must be a good diagnostician and value a sinse of inquiry....he may be highly directive at one time and with one employee, but very nondirective at another time. He may use pure engineering criteria in the design of some jobs, but let a worker group completely design another set of jobs. In other words, he will be flexible, and will be prepared to accept a variety of interpersonal relationships, patterns of authority and psychological contracts.5

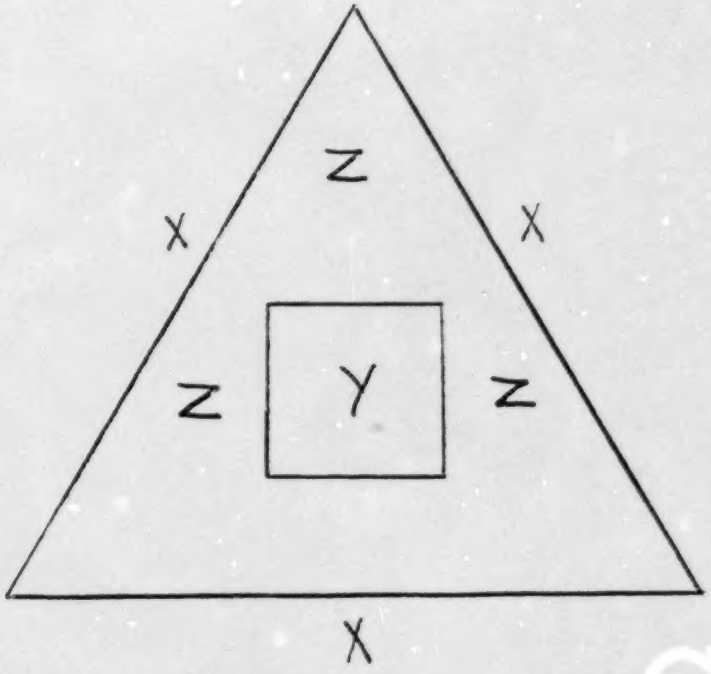
The flexible manager in a pyramid organization is one that has realized the type of environment that has been created. The psychological climate that is created forces management to live with the way directions comes down and manage with a theory Y base. This creates a new atmosphere which is one that is conducive to the combination of theory X and Y, producing some theory Z assumptions. Each managerial decision and the use of directive of participative management depends on the situation and the individual involved. There are situations that arise when management must make a decision based on theory X assumptions just as there are circumstances when theory Y assumptions come into play. However, due to the structure of the organization and the desire to increase overall job satisfaction, management is forced to take on the flexibility of a theory Z approach. This flexibility is required in some organizations based on the situation and objectives which will determine the set of assumptions that management will examine before making a final assessment for a decision.

5Edgar H. Schein, Organizational Psychology (Englewood Cliffs, New Jersey; Prentice-Hall Inc., 1970) p.p. 70, 71

> Individual and organizational circumstances may often force you to adopt a management mode that is foreign to your basic set. In most cases, though, such a new mode will not affect your underlying set because it is seen as merely a temporary expedient. As soon as situational factors permit, you will tend to return to your original mode.6

The management mode is directly dependent upon the situation that is prevalent at the time. It is this flexibility that has enabled management to examine the assumptions of theory Y while operative in a theory X structured psychological climate. This flexibility is currently what has emerged to become a theory Z assumption.

In order to clarify the emergence of theory Z from the structured organizations that have adopted this human relations movement, the following diagram will help:



6Michale V. Flore and Paul S. Strauss, Promotable Now (New York; John Wiley & Sons, 1972) p. 61

Theory Z is a management approach which accepts the current environment created by the organizational structure while adopting the assumptions that are actually contrary to the environment. The lower level manager who deals directly with working groups will accept the assumption that at times people must be controlled while at other times they can be allowed to determine their own directions.

The Theory Z assumption orientated manager has also come to the realization that there are individuals that need to be directed and controlled. Some individuals require the security of theory X setructured assumptions. They need direction and refuse to accept any type of responsibility for their own direction. Just as the pyramid organization controls, so must the manager at times. However, the key is the realization and acceptance that the organizational climate is not condusive to the adoption of McGregor's theory Y assumptions alone.

The organization has adopted the assumption of McGregor's Theory X in its creation and will continue to function with them as long as the pyramid does not change. The managers in today's environment are then trained and drilled in adopting theory Y assumptions. When the organizational climate and the new proposed theory Y assumptions come together, we have a melting of the two assumptions which leads to the emergence of theory Z.

Theory Z then becomes a means of eliminating some of the cognotive dissonance that has been created in the current organizational climate. The manager that accepts this approach will find that a little understanding can help eliminate some anxiety.

Theory Z assumptions are a direct result of the examination of theory Y assumptions in a highly structured organization. There have been many proposals that the pyramid organization has seen its day and a new structure will emerge. However, all current indications are that not only is the pyramid structure surviving, but it is still the predominant organizational structure.

What management must realize is that the frustrations that are experienced by fluctuating between theory X and Y are here to stay. Theory Y assumptions will work in some situations just as well as theory X. It all depends on the situation that is present at the time and the results anticipated. The fact that the human relations movement has made such progress in the theory X structured organization would lead to a valid conclusion that there must be a point between theory Y and X. This point can be labled as the theory Z assumptions that management has made within its organizational structure.

The position that Theory Z assumptions have assumed is a position of flexibility. Flexibility within the organization and the assumptions that management has made about the work force. It is this flexibility that will enable the pyramid organizational structure to survive. It is this flexibility that has allowed management to create a psychological climate within the pyramid organization that is contrary to the climate that it is structured under.

Modern management has created the flexible Theory Z by its quest for employee satisfaction within the pyramid organization. It is this realization that will enable management to more effectively examine the assumptions it has made in relation to the individual at work. When management realizes the fact that it has created a Theory Z set of assumptions within the organization, a set of assumptions that is based on flexible, situational management, then much of the confusion between what Theory Y and X are and are not will be made clearer. Theory Z is here, it is in our current pyramid organization and is simply a matter of accepting this fact.

In order to support the emergence of Theory Z, a substantial survey was required. In addition, individual interviews were conducted to support this hypothesis.

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